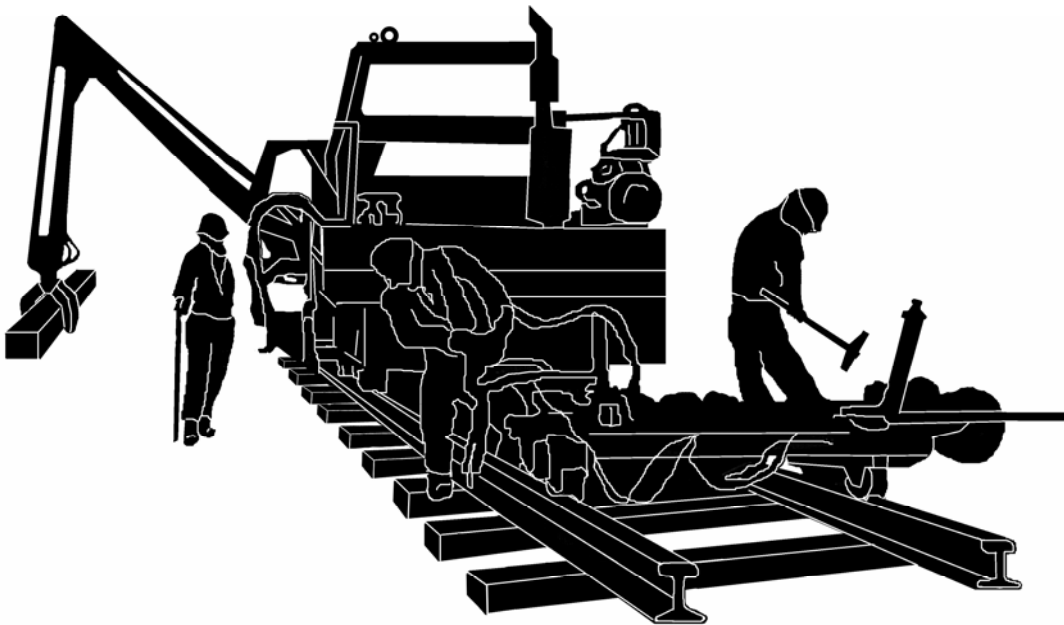


RAIL PRESERVATION FY2007 PROGRAM

APPLICATION PROCEDURES



December 19, 2005 Update

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RAIL PRESERVATION POLICY

Effective April 1, 1999, it is the policy of the CTB to consider railways and rail corridors as important elements of the Statewide Transportation System. The CTB supports the use of funds for projects deemed important elements of the Statewide Transportation System. Such consideration shall include the acquisition, lease, improvement, or assistance to appropriate entities in the acquisition, lease, or improvement of railways, and equipment, and the purchase of abandoned railway rights-of-way for transportation purposes that the CTB determines are for the common good of the Commonwealth or a region of the Commonwealth. The Department of Rail and Public Transportation Director shall administer and expend or commit, subject to the approval of the CTB, such funds as may be set forth in the Appropriations Act for this purpose. Such funds may be expended or provided in the form of grants or loans to others to improve railways, equipment, or related facilities specific to rail operations on public or private property and to acquire or lease railway properties for transportation purposes. Any properties purchased can be leased to others for continuation of rail service. No funds shall be used for general railroad operating expenses. Costs incurred for the administration of approved projects shall be an eligible expense under this policy. In allocating funds for improvement, the CTB shall consider the project cost in relation to the prospective use, line capacity, and the economic and public benefits. In allocating funds for purchase, the CTB shall consider the potential for future public uses of the properties. The CTB shall adopt procedures for the allocation and distribution of the funds as may be provided, including provisions for safeguarding the Commonwealth's interest in all projects.

RAIL PRESERVATION PROCEDURES

- A. The Director of the Virginia Department of Rail and Public Transportation (DRPT), administers, expends, or commits, subject to the approval of the Commonwealth Transportation Board (CTB), such funds for acquiring, leasing, or improving or constructing railways and related facilities, and purchasing railway properties, and equipment for transportation uses. Funds may be spent directly by the Director or by reimbursement of the local entities, private or public.
- B. The DRPT may develop projects for the consideration of the CTB or receive applications from others for such projects.
- C. All applications from others for rail funds shall be submitted by the applicant to the DRPT. Each application shall be accompanied by a resolution from the appropriate local government or Transportation District Commission supporting that such funds be allocated to the proposed project. Each application shall be considered on the basis of its merits.
- D. The Rail Division of DRPT acts as staff to receive and process applications and supervise

the expenditure of funds. All applications shall be submitted by February 1 (Administratively amended to February 1, 2006) of each year to DRPT in accordance with the guidelines outlined in the Rail Preservation Application Process Memorandum. The DRPT reviews the applications and state projects, including developing analyses and comments, and transmit same to the Director, for review and concurrence prior to presentation to the Rail, Transit, and HOV (RTHOV) Committee of the CTB. The RTHOV Committee develops recommendations for the CTB to select projects and establish priorities, in accordance with its policies, and the procedures contained herein.

- E. As a general guide for staff analysis, no more than 50 percent of the funds shall be recommended for any applicant in any fiscal year unless it is determined that there are not sufficient applications to use the available funds or a project has been determined to be of major significance to the Commonwealth. Final allocations shall be determined by the CTB.
- F. In deciding whether to allocate funds for a project, the CTB shall consider the potential for future public uses of the property and/or the cost thereof in relation to the prospective rail use, and other economic and public benefits, and the common good of the Commonwealth or a region of the Commonwealth. Freight improvement projects must have a benefit-cost analysis of greater than one, except in the case of a safety project which is not eligible under another safety program. Passenger projects will be based on service needed and capacity constraints. Projects may be considered for purchase if they have a potential for rail or other future transportation uses.
- G. Funds may be provided in the form of grants or loans to acquire, lease, improve, or assist other appropriate entities to acquire, lease, or improve railways, related facilities, and equipment on public or private property, and to purchase railway properties for rail service and other transportation purposes.
- H. Funds may be provided to local governments, authorities, agencies, Transportation District Commissions or non-public sector entities for rail projects funded under the program at a 70% state and 30% local match. Funds provided for Class I rail operators for freight purposes may be in the form of loans to be repaid over a period of years at an interest rate to be determined by the Director and approved by the RTHOV Committee. No funds may be used for general railroad operating expenses. These funds may also be used as a portion of the non-federal share for the utilization of federal funds by public or private parties. Funds may also be used to match other grants obtained by the applicant. These funds will provide no more than 70 percent of the local share. Additionally, funds may be provided for administration of a project on a 70-30 match basis with a maximum administration reimbursement of 5 percent of the total project cost or \$50,000 per year, whichever is less. Also, funds may be provided to assist in obtaining a qualified assessment and engineering of the necessary track structure and bridge improvement needs.
- I. Funds may be granted or loaned to the current or prospective owners of a Short line railroad to purchase or refinance operating railway properties. The maximum amount of

any loan may be limited by the net liquidation value. The owners may repay part of the loan over 20 years at an interest rate to be determined by the Director, with approval by the RTHOV Committee. The Commonwealth shall retain an interest in the property with an option to buy the balance if the rail operation is not continued as originally intended.

- J. The actual amounts loaned, their repayments, schedules, loan provisions, and interest charged shall be established by the Director and approved by the RTHOV Committee. The loan amounts shall not exceed the funds made available for any railway by the CTB. The Commonwealth shall retain a contingent interest in any project for which loans are provided until such time as the Commonwealth has been reimbursed.
- K. The Commonwealth may purchase lines for short line rail service or other transportation purposes. Said lines could be leased to others for rail transportation purposes at a rate to be determined and recommended by the Director, with approval by the RTHOV Committee. Such lines purchased shall not be subject to a time limitation for retention.
- L. The Commonwealth will retain an interest in materials installed in tracks, and facilities reconstructed or improved with grant funds from the Commonwealth until the Commonwealth's interest is repaid or the useful life as determined by the Director has expired. The useful life determination shall have the approval of the RTHOV Committee.
- M. The recipient of funding shall be contractually committed to the perpetual maintenance of such tracks and facilities, and/or property and to the payment of any costs related to the future relocation or removal of such tracks and facilities. Where applicable, the recipients or their subcontractors shall also be contractually committed to provide for the continued operation of rail service as a common carrier and to assume all liability in connection with the implementation and operation of the project. The Commonwealth shall be advised of any change in the carrier status.
- N. The Commonwealth may allow the recipient of funds to purchase the Commonwealth's interest in a railway, equipment, and facilities at a value determined by the Director and have the approval of the RTHOV Committee.
- O. In the event the recipient of funds desires to sell property or interest in railway equipment and facilities which have been acquired, reconstructed, or improved under this program, said sale shall be subject to the Commonwealth's vested interest and written approval.
- P. The Commonwealth does not consider any rail with a weight of less than 100 lbs. to be an acceptable size for use in the track structure. Rail Preservation monies will not be utilized to pay for or pay to have installed any rail less than the minimum accepted size. The use of 112 lbs. rail or other low production rail is discouraged because of the scarcity of tie plates and joint bars.

- Q. The DRPT's goal is to assist in bringing all short lines to a Class 2 Track Safety Standard operation as prescribed in the Track Safety Standards publication as part of the Federal Railroad Administration's Title 49 Part 213 regulations. The achievement of this plan will depend on the availability of funding. Once reached the track shall be maintained at this level. This requirement may be waived in the case of an emergency. Additionally, applications for funds must provide a plan that outlines bringing their track structure and bridges to a minimum Class 2 Track Safety Standards and, if necessary, structures to a load limit of 286,000 pounds. These plans must be submitted at time of application beginning April 1, 1999. All applicants submitting request for funds starting in FY 2000 with rail lines below Class 1 Track Safety Standards must submit a plan to bring their rail lines to Class 1 Track Safety Standards within a reasonable amount of time.

The Director of the Department of Rail and Public Transportation shall utilize the guidelines developed for processing the implementation of these procedures and that the procedures shall become effective on April 1, 1999.

RAIL PRESERVATION APPLICATION PROCESS MEMORANDUM

This memorandum details the administrative guidelines to be followed by the applicant and the Commonwealth in the allocation of funds for acquiring, leasing, improving, or assisting other appropriate entities to acquire, lease or improve railways and purchase abandoned rail rights-of-way for transportation purposes as authorized in Chapter 10.1 of the Code of Virginia. Appropriations for these activities are included in the Budget Bill.

The rail program will be administered by the Director of the Department of Rail and Public Transportation in accordance with decisions of the Commonwealth Transportation Board. The Rail Division may develop state projects for the Director for review and concurrence prior to submittal to the Rail Transit and HOV (RTHOV) Committee of the Commonwealth Transportation Board (CTB). The Department will also act as staff to receive and process applications, to develop analysis and comment, and transmit same to the Director. The Director may solicit comments regarding the applications from others including the State Corporation Commission.

Applications

1. Applications for Rail Preservation Funds shall be submitted to the Department of Rail and Public Transportation by no later than **February 1, 2006** (Appendix C). All applications must be accompanied by a resolution supporting the project under the Rail Preservation Program from the local jurisdiction in which the project is located (Appendix B-sample resolution). Projects will not go forward to the Commonwealth Transportation Board for consideration without the local resolutions.
2. Applications should be addressed as follows:

Karen J. Rae, Director
Department of Rail and Public Transportation
1313 East Main Street, Suite 300
P.O. Box 590
Richmond, VA 23218-0590

- 2.A Rail Preservation Program Contact:

Kevin B. Page, Manager of Rail Development Programs
Department of Rail and Public Transportation
1313 East Main Street, Suite 300
P.O. Box 590
Richmond, VA 23218-0590
Telephone: (804) 786-3963
kevin.page@drpt.virginia.gov

A copy of the accompanying resolution(s) and a location sketch including an outline of the proposed project should be forwarded to the Department of Transportation's Resident Engineer in whose residency the proposed project will be located.

3. Application submitted to the Director should contain the following information:
 - A) A resolution from each local government or Transportation District Commission of which the proposed project is located;
 - B) Location sketch and an outline of the proposed project;
 - C) The estimated annual number of carloads;
 - D) The estimated number of people to be employed or retained;
 - E) The expected starting and finishing dates;
 - F) The estimated cost of the projects;
 - G) Documentation concerning common carrier status;
 - H) A certification stating who will provide for the continuous maintenance and assume the liability of the tracks and facilities;
 - I) Guarantees as to the right of way for the project;
 - J) Any other information deemed relevant to the proposed project;

Allocation of Funds

The CTB will have the authority to establish priorities and allocate funds for a project. As a general guide for staff analysis, no more than 50 percent of the funds shall be recommended for any applicant in any fiscal year unless it is determined that there are not sufficient applications to use the available funds. Additional allocations may be considered by the Board.

Selection Criteria

Applications submitted will be considered in accordance with their consistency with the policy of the Commonwealth regarding rail transportation, especially those relative to fostering economic development. Acquiring, leasing, constructing, or improving or assisting other appropriate entities to acquire, lease, construct, or improve railways, equipment, and purchase abandoned rail rights-of-way for rail transportation purposes must have a positive impact upon the common good of the Commonwealth or a region of the Commonwealth. Each application specifically for freight services will also be considered under the following criteria in the

allocation of funds:

- A) Benefit-Cost Ratio;
- B) Potential employment;
- C) Geographic location of the proposed project in relationship to prior allocations;
- D) Small industries where there is a demonstrated need for financial assistance, and both private and public benefits will accrue relative to the costs involved;
- E) The potential for long-term viability or use;
- F) Local unemployment rate;
- G) Local contributions;

Project Selection and Implementation

The Rail Division staff, at the Director's discretion, will assemble all necessary data and documents and review the proposals. Staff will consider the above criteria to make the initial distribution of the annual allocation of the Rail Preservation Funds. This information will be provided to the Director, who will provide recommendations to the RTHOV, and the CTB. The CTB will approve the final distribution of the Rail Preservation Funds.

Following the approval of project funding, the applicants will be notified of the results. The successful applicants will be required to enter into contractual commitments with DRPT. In projects involving the improvement of existing tracks or facilities, only those materials installed with the use of program funds shall be subject to a contingent interest by the Commonwealth. Ownership of materials and facilities in place prior to project implementation shall not be affected.

The DRPT will supervise the expenditure of funds, and perform inspections and prepare documentation of the improvement work performed and materials installed prior to final review and payment. The applicant shall maintain records regarding the projects. An on-site inspection will be made on properties proposed for lease or purchase.

METHODOLOGY FOR THE DISTRIBUTION OF FUNDS TO NON-SAFETY PROJECTS UNDER THE RAIL CORRIDOR PRESERVATION PROGRAM

The policy and procedures for the railroad corridor financial assistance program that was approved by the Commonwealth Transportation Board on July 19, 1990 as amended was transmitted to the various jurisdictions, commissions, and railroads. These policy and procedures as amended limit each project to a maximum of 70 percent state funds with a 30 percent match coming from a non-state source. Also, the funding for any application is to be limited to no more than 50 percent of the funds, unless it is determined that there are not sufficient applications to use the available funds.

As part of the evaluation process, visits are to be made to the project locations to accomplish various purposes. The first visit is to determine that the projects are acceptable projects; the second is to collect data to be used in developing the benefit-cost ratios for projects other than safety, purchase, and passenger; and the third is to determine the potential for the continuation of the service. Safety, purchases, and other rail service projects will be considered on their own merit, and recommendations will be made following a separate evaluation process.

A benefit-cost analysis methodology (Appendix A) will be applied to these projects and any project with a benefit-cost ratio of less than one will not be considered as a viable project to be recommended for funding. A list of the parameters including the benefit-cost is included in this package under Selection Criteria and will be used to assist the staff in making an equitable distribution of the funds. The purpose of this methodology is to select rail freight project for implementation that have the greatest merit.

APPENDIX A

BENEFIT-COST ANALYSIS
RAIL CORRIDOR PROGRAM

VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

REVISED NOVEMBER 1994

BENEFIT-COST ANALYSIS RAIL CORRIDOR PROGRAM

Background and Introduction

In 1990 the General Assembly passed an amendment to House Bill 30 (HB30) which provided funds for the acquisition, lease, and/or improvement of railways and facilities. In response to this action, the Commonwealth Transportation Board adopted policy and procedures on July 19, 1990. These are amended as the Board determines a need.

As part of the methodology for the equitable distribution of these funds, a benefit-cost analysis had to be established. The foundation of this analysis was provided by the three Federal Railroad Administration (FRA) documents: Benefit-Cost Guidelines Rail Branch Line Continuation Program (February 1980), FRA Simplified Benefit-Cost Methodology (May 1982), and Benefit-Cost Methodology for the Local Rail Freight Assistance Program (draft July 1990).

The Benefit-Cost Methodology

Benefit-cost analysis is generally based on the comparison of two considerations or alternatives. The first alternative is the null alternative and it relates to the status quo (i.e. doing nothing). For a rail service, this usually results in continued service at a reduced level or abandonment. This alternative can result in increased cost for the shipper, loss of employment, and increased highway maintenance cost. The second alternative is the project alternative involving rehabilitation or improvement. This alternative can result in improved service and continued viability of the line.

Simply stated, the benefit cost analysis is represented by the following formula:

$$\frac{\mathbf{B}}{\mathbf{C}} = \frac{\mathbf{Net\ Transportation\ Impact + Net\ Employment\ Impact}}{\mathbf{Cost\ of\ Project}}$$

All of the costs over ten years including salvage value are discounted to present worth and summed for comparison. For a project to be eligible for assistance, the ratio of Benefits to Costs has to be equal to or greater than one.

The following steps must be completed in the benefit-cost analysis:

1. Establishing the project alternative;
2. Determining the project costs;
3. Determining the null alternative;
4. Using the standard planning horizon;
5. Using the FRA published discount rates;
6. Calculating transportation efficiency benefits;
7. Calculating secondary benefits;
8. Calculating salvage value;
9. Calculating the benefit-cost ratio;

Each of the steps is discussed in detail in the Benefit-Cost Methodology for the Local Rail Freight Assistance Program, published by the Federal Railroad Administration, 1990.

For the Rail Preservation Program, two situations exist. They are abandonment and continued operation. The analysis approach to be used in each situation is presented in the following sections. A ten-year planning horizon and an annual discount rate established by FRA are assumed.

APPENDIX B

SAMPLE LOCALITY RESOLUTION

RESOLUTION

Rail Preservation Application

(Railroad Name Here)

WHEREAS, the _____ Railroad desires to file an application with the Virginia Department of Rail and Public Transportation for funding assistance for the projects; and

WHEREAS, _____ Railroad has identified projects that are estimated to cost \$ _____; and

WHEREAS, the General Assembly, through enactment of the Rail Preservation Program, provides for funding for certain improvements and procurement of railways in the Commonwealth of Virginia; and

WHEREAS, the _____ Railroad is an important element of the _____ (County, City, or Town) transportation system; and

WHEREAS, the _____ Railroad is instrumental in the economic development of the area, and provides relief to the highway system by transporting freight, and provides an alternate means of transportation commodities; and

WHEREAS, the (County, City, Town or Transportation District Commission) of _____ supports the project and the retention of the rail service; and

WHEREAS, the Commonwealth Transportation Board has established procedures for all allocation and distribution of the funds provided.

NOW, THEREFORE, BE IT RESOLVED, that the (County, City, Town or Transportation District Commission) of _____ does hereby request the Virginia Department of Rail and Public Transportation to give priority consideration to the projects proposed by the _____ Railroad.

APPENDIX C
APPLICATION

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION
RAIL PRESERVATION PROGRAM

APPLICATION

Application Date:

Applicant:

Contact Person:

Telephone Number:

Description of Proposed Project:

Estimated Cost of Proposed Project:

Estimated Annual Number of Carloads:

Estimated Number of People Employed or Retained:

Expected Starting and Finishing Dates:

Any Other Information Deemed Relevant to the Proposed Project: Attached.

Application Must Be Mailed To:
Karen J. Rae, Director
Department of Rail and Public Transportation
1313 East Main Street, Suite 300
P.O. Box 590
Richmond Virginia, 23218-0590

Note: A Resolution from the local governing body or Transportation District Commission supporting the project must accompany this application to be considered for funding.